



AGENDA
ALASKA GASLINE DEVELOPMENT CORPORATION (AGDC)
REGULAR BOARD MEETING

February 9, 2017 AGDC Board Room, 3201 C St Suite 604 Anchorage, AK 9:00 am

- I. CALL TO ORDER
- II. ROLL CALL
- III. CHAIRMAN'S CHOICE
- IV. APPROVAL OF AGENDA
- V. APPROVAL OF MINUTES – December 8 & December 21, 2017
January 12, 2017
- VI. PUBLIC COMMENTS Boardroom _____ Statewide _____
- VII. PRESIDENT'S REPORT
- VIII. NEW BUSINESS – AGDC MANAGEMENT/OPERATIONAL
 - A. Committee Chair Updates
 - B. External Affairs Update
 - C. AFE 2017-01
- IX. FINANCIALS
- X. PROJECT UPDATES
- XI. EXECUTIVE SESSION
- XII. ANY OTHER ITEMS TO COME BEFORE THE BOARD
- XIII. BOARD COMMENTS
- XIV. ADJOURNMENT

The Chair may announce changes in the Order of Business during the meeting.



Meeting Minutes

ALASKA GASLINE DEVELOPMENT CORPORATION REGULAR BOARD OF DIRECTORS MEETING

December 8, 2016

09:00am

A Regular Board of Directors Meeting of the Alaska Gasline Development Corporation (“AGDC”) was held at the Alaska Gasline Development Corporation Board Room, 3201 C Street, Suite 604, Anchorage, Alaska on December 8, 2016, convening at 09:00am.

The following board members were present at the meeting (or attended via teleconference) except as otherwise noted:

DAVE CRUZ
Anchorage, AK

Chair of the Board

HUGH SHORT
Anchorage, AK

Vice Chair of the Board

JOEY MERRICK
Anchorage, AK

Secretary/Treasurer

MARC LUIKEN
Anchorage, AK

Member of the Board

HEIDI DRYGAS
Anchorage, AK

Member of the Board

WARREN CHRISTIAN
Anchorage, AK

Member of the Board

DAVID WIGHT
Anchorage, AK

Member of the Board

- I. CALL TO ORDER: Chair Cruz convened the meeting at 9:00 am.

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- II. ROLL CALL: A quorum was declared present and the meeting was duly and properly convened for the transaction of business.
- III. CHAIRMAN'S CHOICE: Chair Dave Cruz gave a safety moment on keeping vehicle headlights, taillights and back up cameras clean to help prevent harming unseen pedestrians.
- IV. APPROVAL OF AGENDA: David Wight moved to approve the agenda and Commissioner Luiken second. The approval of the agenda passed unanimously (6-0).
- V. MINUTES: Commissioner Drygas moved to approve the meeting minutes from October 13 and November 10, 2016. David Wight second. Both meeting minutes passed unanimously (6-0).
- VI. PUBLIC COMMENTS – AGDC Boardroom: None
Statewide: None
- VII. PRESIDENT'S REPORT: Keith Meyer, President of AGDC, gave a presentation to the Board. The presentation covered the following topics:
 - a. Alaska LNG Update;
 - b. FERC Filing;
 - c. Marketing Effort in Asia-Pacific; and
 - d. Upcoming ActivitiesJoey Merrick arrived at 9:22am.
- VIII. NEW BUSINESS – AGDC MANAGEMENT/OPERATIONAL ISSUES:
 - A. Committee Chair Updates:
Commissioner Luiken gave an update on the Communication Committee, stating that it is focusing on

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finalizing the 2016 Annual Report. The Committee is also working on a messaging plan for employees and Board members. Rosetta Alcantra is working on updating AGDC's relationship with the CAC members.

Hugh Short said the Governance Committee's focus was on Resolution 2016-07, which plans to adopt new corporate policies. The Committee also focused on formulating performance metrics for the President of AGDC.

Dave Cruz gave an update on the Technical Committee, sharing that the AGDC ERL team is working with the Corps and is trying to get the permits back on schedule.

B. External Affairs Update – Rosetta Alcantra, Vice President of Communications, stated that her department has been focusing on preparing for the 2017 Legislative Session, which will begin in about a month. Her department has been participating in several different presentations and trade show activities.

C. Hugh Short addressed the Board on Resolution 2016-7, which the Governance Committee created with staff, and which proposes to adopt the following new corporate policies: Document Control Policy; Business Conduct Policy; Financial Control Policy; Whistleblower Policy; Risk Management Policy; and Health, Safety, Security and Environmental Policy. Commissioner Drygas moved to approve, Hugh Short second. The motion passed unanimously (7-0).

IX. Financials – Phillip Sullivan, AGDC Finance Manager, gave an update on the year-to-date statement of activities through October 31, 2016 for AGDC and Alaska LNG. Frank Richards, Sr. Vice President of Engineering and Program Management, provided a breakdown on the cost report ending October 31, 2016. He further gave an explanation on Alaska LNG and ASAP expenditures, stating that the overall spend to date is approximately 10 percent of the authorized amount.

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- X. Project Updates – Frank Richards, Senior Vice President of Engineering and Program Management, gave a presentation on the ASAP Project, which included the following topics:
- Pipeline
 - Project Services
 - Clean Water Act 404 Application and ASAP SEIS
 - Alaska LNG Project
 - Transition Activities

Frank Richards also spoke about the Alaska LNG project, which included the following topics:

- AGDC/SoA/Alaska LNG Cooperation
- GTP, PBU and PTU
- Pipeline
- LNG Plant and Marine Facilities
- Integration
- Regulatory

- XI. EXECUTIVE SESSION: Hugh Short motioned to go into executive session to discuss the status of ongoing Alaska LNG commercial negotiations, the substance which is covered under existing AGDC confidentiality agreements; preview and discuss the operating budget that AGDC plans to submit to the Governor; and discuss personnel issues relating to the evaluation and compensation of the AGDC president. Joey Merrick second. Without objection the motion carried (7-0). Off record at 10:47am.

Regular session re-commenced at 3:09pm. Chair Cruz stated that the Board took no actions, votes, or direction during the executive session and that the items that were previously stated as the reasons for entering executive session were the only ones addressed.

- XII. ANY OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD: None

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- XIII. BOARD COMMENTS: Board members expressed their appreciation for AGDC staff and the staff's willingness to educate the newer board members, as well as the up-to-date information that AGDC shared between Board meetings.
- XIV. ADJOURNMENT: Joey Merrick moved to adjourn, Hugh Short second the motion, none opposed. The meeting adjourned at 3:16pm.

Dave Cruz, Chair

Date



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ALASKA GASLINE DEVELOPMENT CORPORATION REGULAR BOARD OF DIRECTORS MEETING

December 21, 2016

1:30pm

A Regular Board of Directors Meeting of the Alaska Gasline Development Corporation ("AGDC") was held at the Alaska Gasline Development Corporation Board Room, 3201 C Street, Suite 604, Anchorage, Alaska on December 21, 2016, convening at 1:30pm.

The following board members were present at the meeting (or attended via teleconference) except as otherwise noted:

DAVE CRUZ
Anchorage, AK

Chair of the Board

HUGH SHORT
Telephonic

Vice Chair of the Board

JOEY MERRICK
Anchorage, AK

Secretary/Treasurer

MARC LUIKEN
Anchorage, AK

Member of the Board

HEIDI DRYGAS
Excused Absence

Member of the Board

WARREN CHRISTIAN
Telephonic

Member of the Board

DAVID WIGHT
Telephonic

Member of the Board

- I. CALL TO ORDER: Chair Cruz convened the meeting at 1:41pm.

Meeting Minutes

- II. ROLL CALL: A quorum was declared present and the meeting was duly and properly convened for the transaction of business.

Commissioner Luiken arrived at 1:43pm.

- III. APPROVAL OF AGENDA: Joey Merrick moved to approve the agenda and Hugh Short second. The approval of the agenda passed unanimously (4-0).

- IV. MINUTES: None to approve.

- V. PUBLIC COMMENTS – AGDC Boardroom: None
Statewide: None

Warren Christian telephoned in at 1:47pm.

- VI. NEW BUSINESS – AGDC MANAGEMENT/OPERATIONAL ISSUES:

- A. Approval of Financial Audit: Joey Merrick moved to approve the FY16 financial audit, Commissioner Luiken second. The motion passed unanimously (5-0).

David Wight telephoned in at 1:48pm.

- B. Requesting Signing Authority for Transition Agreements – Resolution 2016-08: After a minor amendment to clarify Resolution 2016-08, Commissioner Luiken moved to approve the Resolution, Joey Merrick second. The motion passed unanimously (6-0).

- VII. EXECUTIVE SESSION: None

- VIII. ANY OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD: None

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- IX. BOARD COMMENTS: Joey Merrick expressed that he was glad that AGDC was able to get many of the transition agreements done. Warren Christian congratulated Keith and his staff and was impressed how well AGDC was able to negotiate agreements.
- X. ADJOURNMENT: Joey Merrick moved to adjourn, Commissioner Luiken second the motion, none opposed. The meeting adjourned at 1:54 pm.

Dave Cruz, Chair

Date



Meeting Minutes

ALASKA GASLINE DEVELOPMENT CORPORATION REGULAR BOARD OF DIRECTORS MEETING

January 12, 2017

9:00am

A Regular Board of Directors Meeting of the Alaska Gasline Development Corporation (“AGDC”) was held at the Alaska Gasline Development Corporation Board Room, 3201 C Street, Suite 604, Anchorage, Alaska on January 12, 2017 convening at 09:00am.

The following board members were present at the meeting (or attended via teleconference) except as otherwise noted:

DAVE CRUZ
Anchorage, AK

Chair of the Board

HUGH SHORT
Absent

Vice Chair of the Board

JOEY MERRICK
Telephonic

Secretary/Treasurer

MARC LUIKEN
Anchorage, AK

Member of the Board

HEIDI DRYGAS
Anchorage, AK

Member of the Board

WARREN CHRISTIAN
Anchorage, AK

Member of the Board

DAVID WIGHT
Anchorage, AK

Member of the Board

- I. CALL TO ORDER: Chair Cruz convened the meeting at 09:00am.

Meeting Minutes

- II. ROLL CALL: A quorum was declared present and the meeting was duly and properly convened for the transaction of business. David Wight arrived at 9:02am.
- III. APPROVAL OF AGENDA: Commissioner Drygas moved to approve the agenda and Commissioner Luiken second. The approval of the agenda passed unanimously (6-0).
- IV. MINUTES: None to approve.
- V. PUBLIC COMMENTS – AGDC Boardroom: Christopher Gates
Statewide: Kenneth Randy Crosby
- VI. EXECUTIVE SESSION: David Wight moved to go into Executive Session to discuss matters relating to AGDC's confidential competitiveness plan and negotiations concerning possible acquisitions. Commissioner Luiken second. There were no objections. Off record at 9:19am.

On record at 2:00pm. No action was taken by the Board and all discussions were within the subjects that was the reason for calling the Executive Session.
- VII. BOARD COMMENTS: Commissioner Drygas wished our State Legislators good luck as they head into session, "It's going to be a very big, very important session and a lot of hard work ahead of us. I hope that everyone is courageous to make the right decisions for our state."
- VIII. ADJOURNMENT: Commissioner Drygas moved to adjourn, Warren Christian second the motion, none opposed. The meeting adjourned at 2:02 pm.

Dave Cruz, Chair

Date



Meeting Minutes



PRESIDENT'S REPORT

BOARD OF DIRECTORS MEETING

FEBRUARY 9, 2017



- **Alaska LNG Update.**
- **Government Relations.**
- **Marketing Efforts Asia-Pacific.**
- **Annual Report.**
- **AFE.**
- **Upcoming Activities**



- **Land/LLC negotiations continue.**
- **Conoco/AGDC Joint Marketing negotiations in full swing (delayed from last year while transition agreements were being finalized).**
- **AGDC and BP Cooperative Agreement:**
 - ✓ Collaborate in the development of the financial and tolling structure intended to advance the Alaska Gasline and LNG project.
 - ✓ Assist in developing a commercial structure of the project to enable project financing.
 - ✓ BP will contribute staff, resources, and selection of some third-party contractors.
- **Responses to regulatory questions proceeding with internal resources for now, to be augmented with external resource.**
- **Preparing for tolling structure, capacity marketing, LNG marketing (SOA and ConocoPhillips gas supply), project configuration decisions (potential phasing).**
- **Market will determine project configuration.**

- **Gene Therriault under contract to assist in government relations.**
- **Hearings:**
 - ✓ House Resources Committee; January 23, 2017.
 - ✓ Senate Resources Committee; January 23, 2017.
 - ✓ Senate Finance Committee; February 14, 2017.
- **One-on-one meetings with Legislators.**
- **Agreed:** (Subject to producer consent which may have been given orally) Provide under confidentiality, copies of all agreements entered into (or under discussion) with producer parties.
- **Needed and pledged:** More transparency, greater detail, and greater frequency of communication with legislature.

MARKETING EFFORT ASIA-PACIFIC

- **Marketing mission to Asian buyers.**
 - ✓ Follow-up from previous “G-to-G” efforts.
 - ✓ Significant coordination and assistance from Japan rep Shiratori.
 - ✓ Project updates and encourage attendance at “Alaska LNG Summit”.
- **Continue to receive positive reception.**
- **Supply overhang provides buyers breathing room to make decisions.**
- **Nuclear uncertainty and deregulation brings demand uncertainty.**



- **AGDC coordinating Alaska LNG Summit**
 - Representatives from potential customer companies invited to Alaska to get more familiar with the project.
 - Prudhoe Bay visit.
 - All day informational seminar (Govt reps, AGDC technical, AGC, Regional Corps, others).
 - Iditarod ceremonial start; tour of COP Kenai plant/reception with local government reps).
 - Event co-sponsored by numerous supporters.
- **Iditarod Sponsorships.**
 - ✓ Recognized as an official sponsor in all 2017 Iditarod materials.
 - ✓ 3' x 10' banners displayed at the ceremonial start, race restart, finish line in Nome.



ANNUAL REPORT

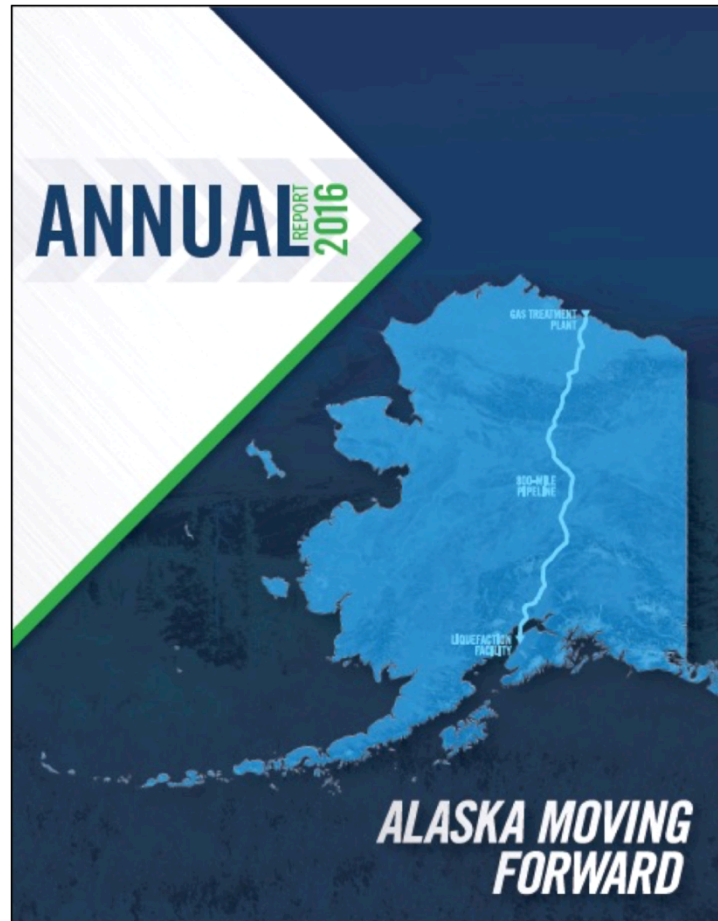


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MESSAGE FROM THE CHAIRMAN

DAVE CRUZ, CHAIRMAN OF THE BOARD

Fellow Alaskans,

I am pleased to report 2016 was another productive and successful year for the Alaska Gasline Development Corporation (AGDC).

Looking back on 2016, I consider it a year of transition and momentum. AGDC transitioned to new corporate and project leadership for the Alaska LNG project. AGDC is preparing to submit a Federal Gas Act project application to the Federal Energy Regulatory Commission (FERC) in 2017 and is making significant progress toward securing customers and investors for Alaska LNG. The Alaska Stand Alone Pipeline (ASAP) project is also near completion for regulatory approval and is looking forward to a Record of Decision in 2017.

A natural gas pipeline is crucial to the future of Alaska for economic, energy, and environmental benefits. Alaska has a unique opportunity to progress this critical

infrastructure. AGDC is poised, ready, and able to take on this responsibility. We will not be doing this alone but will be relying on the expertise of individuals and companies that have successfully advanced similar world-class projects around the globe, including highly qualified and experienced Alaskans. Now is not the time to waste the incredible amount of quality engineering and environmental work and data. It is the time to step into the lead and move toward the finish line. I hope you will join me in supporting the Alaska Gasline Development Corporation as they strive for Alaska Moving Forward. Delivering Natural Gas to the World.

Sincerely,

Dave Cruz
Dave Cruz
Chairman

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STRATEGIC PRIORITIES MOVING FORWARD

AGDC anticipates 2017 will be a year of opportunities and progress. A few of the strategic priorities for next year and beyond include:

2016 2017 2018 2019 2020 2021 2022 2023 2024 2025

Engineering and permitting completed

Lead development of the Alaska LNG project

Select a lead contractor that has project management, engineering, procurement, and construction capabilities and provide the necessary

Submit a Natural Gas Act Section 5 application to FERC

Secure commercial agreements with customers and investors

Implement market intelligence strategy

Final investment decision

Construction

Target to Service First Cargo

As we move into 2017, we look forward to continuing progress on a viable natural gas project for Alaskans that will impact the world.

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AUTHORIZATION FOR EXPENDITURE

- Intent is to live within funds currently allocated to AGDC until firm evidence of commercial agreements is achieved.
- Currently allocated funds are projected to sustain reasonable development activities until year-end FY18. (Does not include additional engineering work to produce refined LSTK price, which will not occur until after commercial evidence is provided.)
- Board approval requested to authorize expenditures (separate presentation).

UPCOMING ACTIVITIES

- Development of service and sales contracts for tolling and LNG.
- Collaboration with BP on development of tolling structure, selection of financial advisor, and regulatory application.
- Preparing for capacity solicitation.
- Engagement of investment banking firm to help ensure tolling agreements and EPC contracts are “financeable”, develop project book, and to begin introducing the opportunity to finance community.
- Continue to advance regulatory filing; engage EPC firm to assist with filing and to begin preparing for definitive cost proposal.
- Continued commercial activity.
- Analysis of COP Kenai opportunity.

**** End ****

BOARD REPORT

February 9, 2017

GOVERNMENT RELATIONS

Key Government Relations activities include:

- A. The AGDC Executive Management team presented before the House Resources Committee and Senate Resources Committee on January 23, 2017 and had individual follow up meetings.
- B. Meetings will be held with key legislators on February 6-7.
- C. AGDC will present before the Senate Finance Committee on February 14, 2017.

PRIMARY COMMUNICATIONS INITIATIVES

- A. Marketing Materials:
 - o AGDC has prepared several collateral materials for general marketing efforts including a detailed project book, three-minute animated video, tri-fold brochure, and various presentations.
 - o A dataroom is being established for select entities under confidentiality.
- B. Slide Deck Presentations:
 - o In-state Audiences:
 - Jan 11: Presentation to the Kenai Peninsula Economic Development District (KPEDD) Industry Outlook Forum, including an update on the corporation, the Alaska LNG project, and an overview of the LNG market.
 - Jan 26: Presentation to the Alliance Bi-monthly Breakfast, including an update on the corporation and the Alaska LNG project.
 - Feb 13: Presentation to the Alaska General Contractors Executive Board, including an update on the Alaska LNG project and details regarding the Alaska LNG Summit.
- C. In-state Outreach:
 - o AGDC participated in the Meet Alaska Tradeshow held in Anchorage on January 13, 2017. The new AGDC 8-foot display was unveiled and the refreshed in-state brochure was distributed.
- D. Alaska LNG Summit:
 - o Save the Date notices and electronic and printed invitations were distributed in January to a compiled list of potential investors and buyers.
 - o The event will be held March 1-6, 2017 at Alyeska Resort in Girdwood. Legislators will be invited to the March 3 all-day conference and the March 4 reception in Nikiski.
- E. Iditarod Sponsorship:

To promote increased awareness of AGDC and the Alaska LNG project in-state, AGDC signed on as an official sponsor of the 2017 Iditarod.
- F. Media Relations/Messaging:
 - o January 23 press release to announce AGDC and BP entered into a Cooperative Agreement on LNG Project.
 - o January 24 press release to announce Gene Therriault under RSA to assist in Government Relations.
- G. Digital Communication:
 - o The LNG World Market Update continues to be distributed on a bi-weekly basis and is distributed to in-state audiences and other interested stakeholders.

- Traffic to the website continues to grow month over month, with total traffic exceeding 12,000 over the past 7 months.

MONTH	TRAFFIC
July 2016	1,254
August 2016	1,638
September 2016	792
October 2016	1,866
November 2016	1,879
December 2016	2,027
January 2016	2,765
FISCAL YEAR TOTAL	12,221

H. CRM Database:

- EAGR continues to work with the Commercial and Economics staff and AGDC IT staff to develop a Customer Relationship Management (CRM) database. The CRM will allow AGDC to track all interactions with potential buyers/investors and allow for internal analysis of sales efforts to determine what materials and correspondence are most successful in terms of closing a contract.

I. Public Opinion Research:

- An in-state poll is in progress to establish benchmarks, report on current attitudes, and understand opinions regarding AGDC and the project.

J. Community Coordinators:

- EAGR staff is working with Community Coordinators to develop a region-based community engagement plan that will include earned media opportunities, events to assist AGDC to build its corporate identity, and crafting key messaging that will resonate in the region.

EVENTS AND ACTIVITIES

A. Past Events

Jan 11	Kenai	Kenai Peninsula Economic Development District (KPEDD)	Project Update
Jan 12	Anchorage	AGDC Board	Meeting
Jan 13	Anchorage	Meet Alaska Tradeshow	Annual Conference

B. Upcoming Events

Feb 13	Anchorage	AGC Executive Board	Meeting
Feb 14	Juneau	Senate Finance	Hearing
Feb 23	Juneau	Fairbanks Chamber of Commerce	Presentation
Feb 23	Juneau	CAC meeting	Meeting
Feb 22-23	Juneau	Alaska Municipal League	Annual Conference
Mar 1-6	Girdwood	Alaska LNG Summit	Event
Mar 9	Anchorage	AGDC Board Meeting	Meeting



ALASKA'S INTEGRATED GAS PIPELINE & LNG EXPORT PROJECT

**REQUEST FOR BOARD APPROVAL OF CAPITAL BUDGET SPEND PLAN AND
ASSOCIATED AUTHORIZATION FOR EXPENDITURES (AFE'S)**



PRIMARY FOCUS AREAS FOR CY2017 & FY2018

Commercial – Secure customer commitments necessary to underpin project finance.

- Raise market awareness.
- Develop attractive commercial proposal.
- Actively pursue potential customers in key market areas.

Project Finance – Secure 3rd party infrastructure finance at pricing attractive enough to clear the market.

- Engage financial advisor.
- Develop financial/ownership structure for maximum tax efficiency.
- Pursue alternative financing available to large U.S. infrastructure projects.

Regulatory – FERC filing

- File complete FERC NGA Section 3 application and advance permitting.
- Engage Lead Contractor (also required for financial).
- Obtain Federal ROW.

Communications – Increased Transparency

AGDC is Alaska's natural gas infrastructure development company.

FOCUS AREAS AND AUTHORIZATION FOR EXPENDITURES (AFE'S)

The focus areas map to three Authorization for Expenditures (AFE's):

- Commercial & Project Finance: \$30.6mm (AFE 2017-001)
- Regulatory & Program Management: \$53.5mm (AFE 2017-002)
- Communications: \$2.2mm: (AFE 2017-003)

Composite total: \$86.3mm

Intent is to inform the Board about AGDC's future budgetary actions:

- Alignment of capital budget funds to meet current strategy of commercial-led project:
 - ✓ Project is matured by advancing Commercial and Project Finance,
 - ✓ Project is de-risked at lower cost by advancing Regulatory,
 - ✓ Stakeholders are engaged by advancing Communications.
- Obtain board approval as two of the AFE's require board-level authority.

CY2017 and FY2018 expenditure are reduced versus immediately entering FEED.

AFE'S, OPERATING BUDGETS, & FUND BALANCES

Composite AFE total (capital budget):	\$ 86.3mm
Remaining FY2017 Operating Budget (Jan-Jun):	\$ 5.2mm
FY2018 Operating Budget:	\$ 10.4mm
Total:	<hr/> \$102.0mm
In-State (incl Alaska USA account) Fund 1229 :	\$26.0mm
Alaska LNG Fund 1235:	\$76.0mm
Total:	<hr/> \$102.0mm

Fund balances as of 30 Jan, 2017

Authorization for Expenditure 2017-001

COMMERCIAL AND PROJECT FINANCE

COMMERCIAL & PROJECT FINANCE OBJECTIVES

- Develop tolling commercial structure for an integrated pipeline and LNG system and establish a subsidiary to facilitate LNG sales.
- Engage and secure sufficient customer commitments for tolling services and bundled LNG sales to enable a FEED financing plan to be completed in 3Q2017.
- Identify project finance sources sufficient to construct a commercialized system.

AFE SCOPE OF WORK – COMMERCIAL & PROJECT FINANCE

Commercial

- Complete agreements to acquire access to and ownership of Nikiski land and DOE authorization.
- Implement market development strategy with help of expert contracting staff.
- Establish presence in key geographic locations.
- Conduct an Alaska project solicitation for interest in tolling capacity.
- Create AGDC subsidiary to conduct LNG sales and gas wellhead purchases.
- Retain legal support to draft agreements and advise commercial negotiations.

Financial

- Secure Financial Advisor to:
 - ✓ Review AGDC's term sheet and contract drafts;
 - ✓ Develop non-recourse project finance structure;
 - ✓ Engage global financial community;
 - ✓ Examine and pursue alternative financing options; and
 - ✓ Complete project financing plan.
- Retain legal support to draft and review agreements that ensure project finance-ability.

AFE SUMMARY – COMMERCIAL & PROJECT FINANCE

SUMMARY OF ESTIMATED COSTS	
Items/Description	
(1) Commercial Contract Services (incl. Legal)	\$ 20,554
(a) LNG Bundled Offering	
(b) Capacity Reservation Solicitation	
(c) LNG Export Marketing	
(d) Marketing JV	
(e) Gas Supply Agreements	
(g) Complete AKLNG Transition	
(h) Support Business Structure & Plan	
(2) Financial Activities (incl. Legal)	\$ 6,577
(a) Equity Investor Engagement	
(b) Engagement of Financial Advisor/Bank	
(3) Support FERC Regulatory	\$ 318
(4) Houston/Tokyo Office	\$ 400
Subtotal	\$ 27,850
Contingency (10%)	\$ 2,785
TOTAL	\$ 30,635

	Q3	Q4	Q1	Q2	Q3	Q4
	FY17	FY17	FY18	FY18	FY18	FY18
EXPENDITURE FLOW (\$000s):	\$ 2,607	\$ 3,969	\$ 5,798	\$ 5,760	\$ 4,816	\$ 4,900

The budget has been built-up and spread on a monthly basis. A 10% cost contingency has been added to this AFE. Contingency funds will be retained by AGDC for potential increases to task orders as a result of uncertainties associated with negotiation activity levels.

RISKS – COMMERCIAL & PROJECT FINANCE

- **Negotiations**
 - ✓ Conducting multiple negotiations with various counterparties simultaneously.
 - ✓ Significant competition from major players in global LNG arena.
- **Reputational**
 - ✓ Continued negative messaging undermines AGDC's efforts and creates risk to the corporation, the Alaska LNG Project, and the State of Alaska.
- **Cost Overrun/Underrun**
 - ✓ The breadth of marketing engagement that AGDC will need to do through the end of FY2018 is as yet unknown.
 - ✓ Cost of customer acquisition may be greater than forecasted.
 - ✓ Pace of negotiations and work efforts may not always be controlled by AGDC and the cost estimate has the potential for a material underrun, as well as overrun.

RISK MITIGATION – COMMERCIAL & PROJECT FINANCE

- **Negotiations**

- ✓ Set specific and focused goals for completing agreements.
- ✓ Mitigate risks by engaging highly experienced commercial and finance professionals with a track record of successful project deliveries.

- **Reputational**

- ✓ Apply rigorous business and government ethics policies and practices.
- ✓ Coordinate closely with the State of Alaska in any matters involving foreign governments and work closely with the Communications Team on messaging.

- **Cost Overrun**

- ✓ AGDC will monitor activities monthly and will make midcourse adjustments as needed.
- ✓ Cost saving measures will be applied throughout the process. For example:
 - Using the least expensive, well-qualified contractor to perform each task,
 - Utilizing teleconference and videoconference technology in lieu of travel, and
 - Controlling the pace of activity to eliminate periods of unproductive spending.

Authorization for Expenditure 2017-002

REGULATORY AND PROGRAM MANAGEMENT

REGULATORY & PROGRAM MANAGEMENT OBJECTIVES



- Assume leadership of the Alaska LNG project utilizing the existing program management team augmented by 3rd party expertise
- Engage a Lead Contractor.
- Complete and file a Natural Gas Act (NGA) Section 3 application to the Federal Energy Regulatory Commission (FERC) for the integrated Alaska LNG project.
- Complete the ASAP Project Supplemental Environmental Impact Statement (SEIS) and receive a grant of right-of-way across federal lands.

SCOPE OF WORK – REGULATORY & PROGRAM MANAGEMENT

- Maintain core embedded technical team, who advance...
- FERC Filing
 - ✓ Complete and file a NGA Section 3 application
 - ✓ Respond to regulatory and public concerns/issues
 - ✓ Represent owner in FERC process
- Securing the Lead Contractor
- Completing the ASAP SEIS
- Managing AKLNG physical assets
- Developing in-state gas delivery
- Reviewing AKLNG cash calls

AFE SUMMARY – REGULATORY & PROGRAM MANAGEMENT

SUMMARY OF ESTIMATED COSTS (\$000s)		
Items/Description	FY17	FY18
(1) Core Embedded Technical Team	\$ 3,703	\$ 6,382
(2) FERC Filing	\$ 11,480	\$ 13,520
(3) Lead Contractor	\$ 2,470	\$ 6,360
(4) SEIS	\$ 978	\$ 1,115
(5) AKLNG Physical Asset Management	\$ 84	\$ 109
(6) In-State Gas Delivery	\$ 346	\$ 732
(7) Alaska LNG Cash Calls	\$ 1,405	\$ -
Subtotal	\$ 20,465	\$ 28,218
Contingency (10%)	\$ 2,047	\$ 2,822
TOTAL	\$ 22,512	\$ 31,040

	Q3	Q4	Q1	Q2	Q3	Q4
	FY17	FY17	FY18	FY18	FY18	FY18
EXPENDITURE FLOW (\$000s):	\$8,975	\$ 11,490	\$ 7,955	\$ 7,063	\$ 6,700	\$ 6,500

The budget has been built-up and spread on a monthly basis with no contingency included. A 10% cost contingency has been added to this AFE. Contingency funds will be retained by AGDC for potential increases to task orders as a result of uncertainties associated with negotiation activity levels.

- Project cost and schedule exposure due to the following:
 - ✓ Regulatory delays
 - ✓ Major cost overruns
 - ✓ Major schedule delays
 - ✓ Inadequate project definition
- Alaska project execution risk
- Mis-alignment between major contractors, and mis-aligned risk sharing between owner and major contractors
- Pre-FEED design may not meet the needs of the market, design premise may change, with associated engineering requirements and delay.

- Mitigate risks of deliverability by managing work efforts through a fully-staffed owner's PMT.
- PMT will provide overall technical and regulatory leadership and governance for the FERC submittal efforts.
- PMT will be supported by leveraging the services of a Lead Contractor capable of scaling project support up through the FEED/Execute stage; risks will be apportioned to the entities that can most efficiently mitigate.
- Expeditiously entering into appropriate key contractual "bridging" relationships.

Authorization for Expenditure 2017-003

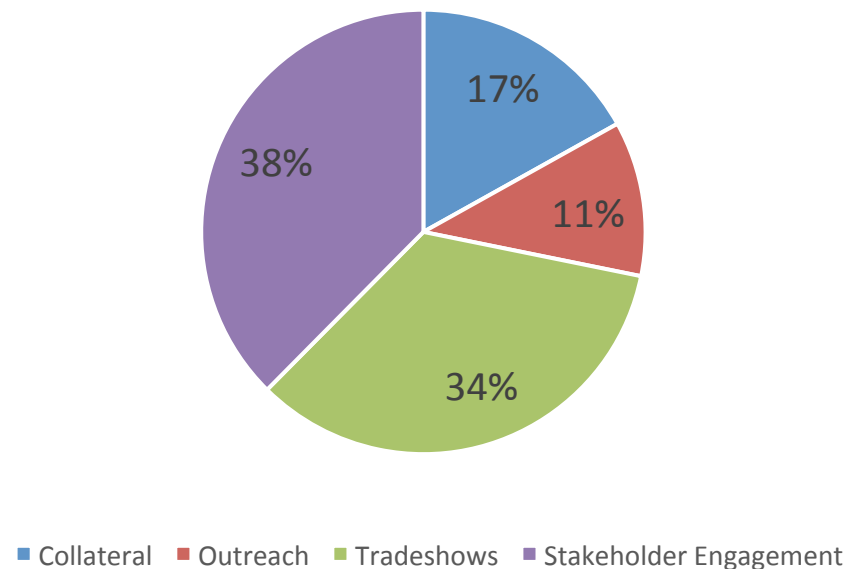
COMMUNICATIONS

- Develop consistency in internal/external messages and corporate brand.
- Engage stakeholders strategically and efficiently.
- Provide transparency with Legislature, Public and Market.
- Cooperative relationship with producers.

Scope of Work

- Corporate and Project related collateral
- International, statewide and domestic outreach
- Industry tradeshow and conferences
- Communications consistency and transparency

CY17 to FY18 AFE Spend by Focus Area



AFE SUMMARY – COMMUNICATIONS

SUMMARY OF ESTIMATED COSTS	
Items/Description	
(1) Collateral	341
(2) Outreach	228
(3) Tradeshow and Conferences	691
(4) Message consistency and transparency	758
Subtotal	2,018
Contingency (10%)	202
TOTAL	2,220

Budgeted – Yes/No	Yes					
	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURE FLOW (\$000s):	FY17	FY17	FY18	FY18	FY18	FY18
	\$ 368	\$ 388	\$ 332	\$ 365	\$ 295	\$ 270

REQUEST FOR BOARD APPROVAL

CONCLUSION: AFE APPROVALS

- **AGDC has a commercially-led business plan to advance the Alaska LNG project in three focus areas throughout CY2017 and FY2018, as further described in:**
 - Commercial & Project Finance: \$30.6mm (AFE 2017-001)
 - Regulatory & Program Management: \$53.5mm (AFE 2017-002)
 - Communications: \$2.2mm: (AFE 2017-003)
- **Due to re-alignment of AGDC's capital spend pattern and the authority level required, Board approval is requested for the above three AFE's.**

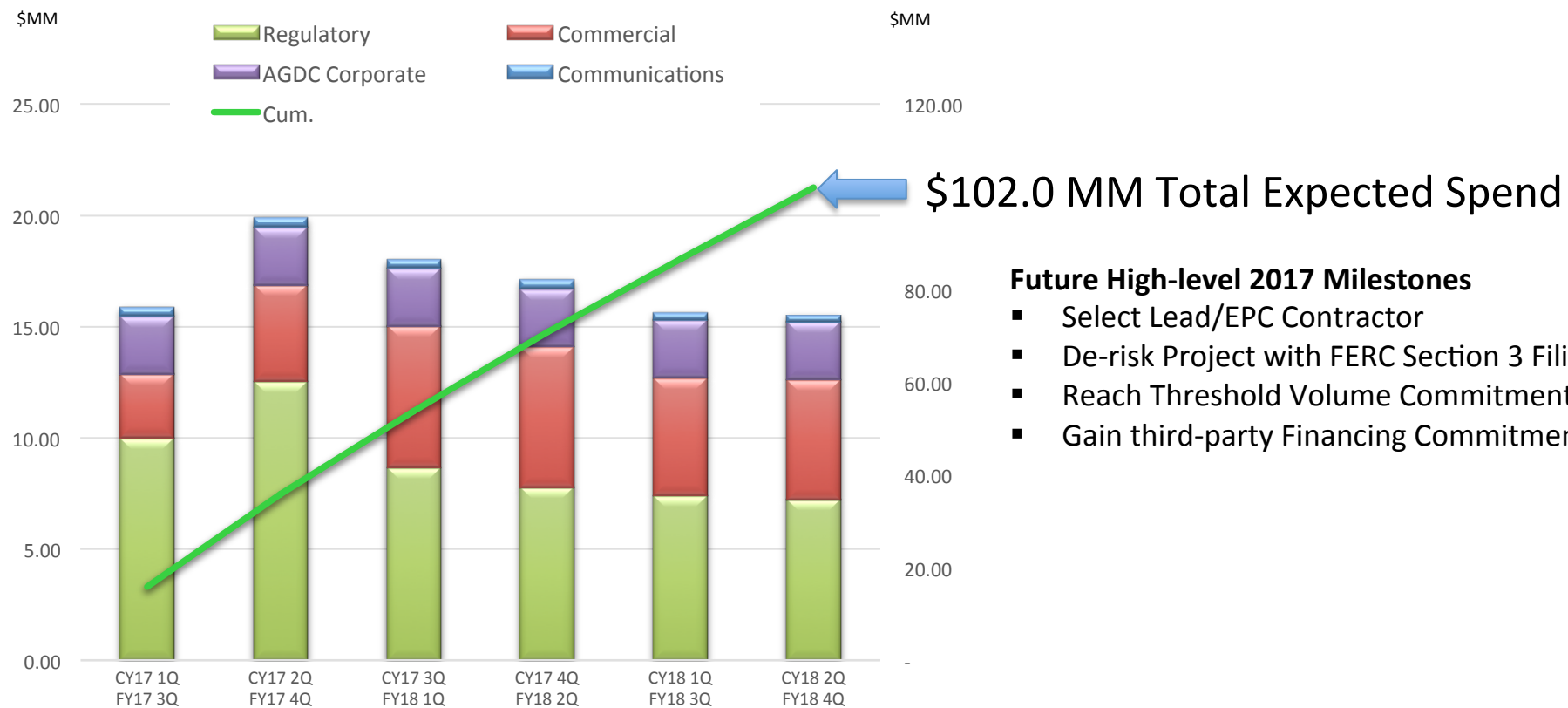
In support of the proposed Capital and FY2018 Operating spend plan, AGDC will seek Legislative re-appropriation from the In-State Gas (ISG) Fund and the Alaska LNG fund:

- **FY2018 Operating Budget, change overhead allocation...**
 - ✓ **From 60% ISG and 40% LNG**
 - ✓ **To 90% ISG and 10% LNG**
- **Capital Budget re-appropriation of about \$14mm from ISG to LNG**

Authorization for Expenditure

AGDC BUDGET BACKUP SLIDES

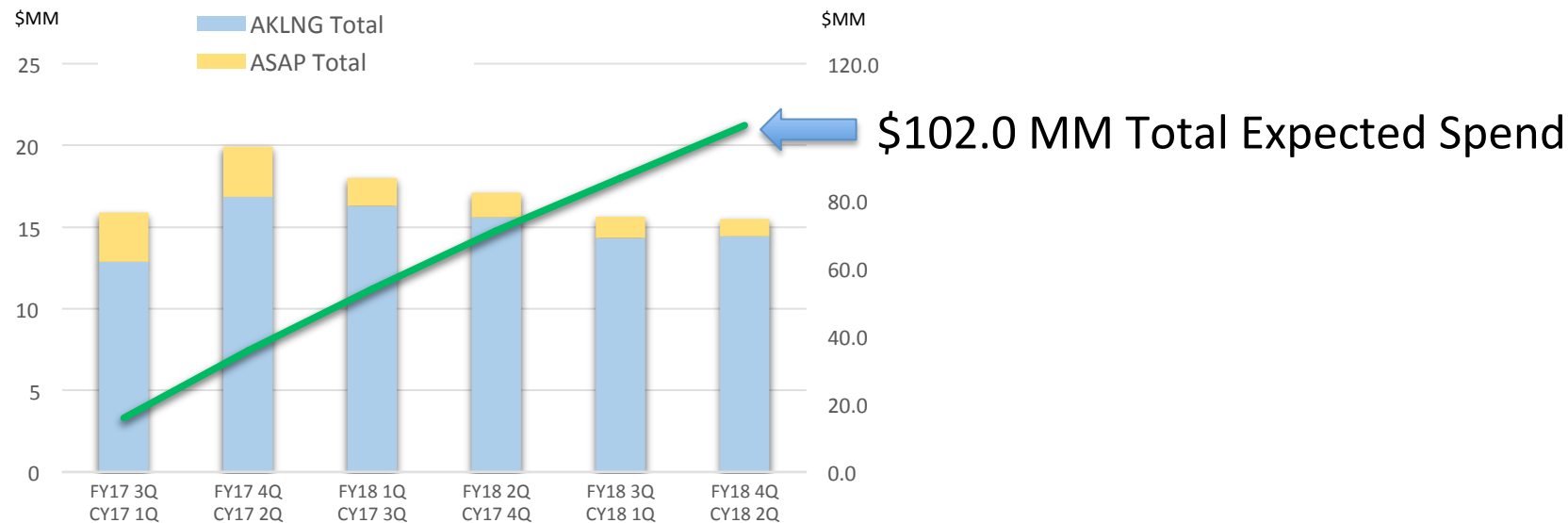
CY17 to FY18 Quarterly Plan



Note: Bars Denote Forecast

Department	FY17 3Q CY17 1Q	FY17 4Q CY17 2Q	FY18 1Q CY17 3Q	FY18 2Q CY17 4Q	FY18 3Q CY18 1Q	FY18 4Q CY18 2Q	Total
Communications	0.40	0.43	0.37	0.40	0.32	0.30	2.22
Commercial	2.87	4.37	6.38	6.34	5.30	5.41	30.65
Regulatory	10.00	12.51	8.66	7.77	7.41	7.21	53.55
AGDC Corporate	2.60	2.60	2.60	2.60	2.60	2.60	15.58
Total Quarterly (Forecast)	15.87	19.90	18.00	17.10	15.62	15.51	102.00

CY17 to FY18 Quarterly Plan by Fund



Note: Bars Denote Forecast

Spend by Fund Forecast		CY17 1Q FY17 3Q	CY17 2Q FY17 4Q	CY17 3Q FY18 1Q	CY17 4Q FY18 2Q	CY18 1Q FY18 3Q	CY18 2Q FY18 4Q	Total
Corporate Split	AKLNG/ASAP %	40/60	40/60	90/10	90/10	90/10	90/10	
AGDC Corporate AKLNG		1.0	1.0	2.3	2.3	2.3	2.3	11.4
AGDC Corporate ASAP		1.6	1.6	0.3	0.3	0.3	0.3	4.2
AGDC Corporate Total (ie Operating)		2.6	2.6	2.6	2.6	2.6	2.6	15.6
AKLNG		11.8	15.8	14.0	13.3	12.0	12.1	78.9
ASAP		1.5	1.5	1.4	1.2	1.0	0.8	7.5
Total Capital		13.3	17.3	15.4	14.5	13.0	12.9	86.4
Total Spend		15.9	19.9	18.0	17.1	15.6	15.5	102.0
cum.		15.9	35.8	53.8	70.9	86.5	102.0	

AKLNG Total	12.9	16.8	16.3	15.6	14.3	14.4	90.4
ASAP Total	3.0	3.1	1.7	1.5	1.3	1.1	11.6
AGDC Total	15.9	19.9	18.0	17.1	15.6	15.5	102.0

Alaska Gas Line Development Corporation
Project Name: Alaska LNG Project – Commercial and Finance Development
AUTHORIZATION FOR EXPENDITURE

X	CAPITAL	EXPENSE
TITLE: Alaska LNG Project – FY2017 / FY2018 Commercial and Finance Development		
		AFE # 17-003
Start Date:	January 1, 2017	Original Authorization: NA
Completion Date:	June 30, 2018	Rev
Responsible Manager:	Lieza Wilcox	TOTAL \$30,635

Budgeted – Yes/No	Yes					
	Q3	Q4	Q1	Q2	Q3	Q4
	FY17	FY17	FY18	FY18	FY18	FY18
EXPENDITURE FLOW (\$000s):	\$2,607	\$3,969	\$5,798	\$5,760	\$4,816	\$4,900

SUMMARY OF ESTIMATED COSTS	
Items/Description	
(1) Commercial Contract Services (incl. Legal)	\$ 20,554
(a) LNG Bundled Offering	
(b) Capacity Reservation Solicitation	
(c) LNG Export Marketing	
(d) Marketing JV	
(e) Gas Supply Agreements	
(g) Complete AKLNG Transition	
(h) Support Business Structure & Plan	
(2) Financial Activities (incl. Legal)	\$ 6,577
(a) Equity Investor Engagement	
(b) Engagement of Financial Advisor/Bank	
(3) Support FERC Regulatory	\$ 318
(4) Houston/Tokyo Office	\$ 400
Subtotal	\$ 27,850
Contingency (10%)	\$ 2,785
TOTAL	\$ 30,635

JUSTIFICATION:

(1) Scope of Work

This authorization for expenditure will enable AGDC to execute the commercial, finance, and legal work to achieve conditional commercial agreements necessary to progress the Alaska LNG project to the next stage of development by the end of 2017. The activities of the Commercial and Finance staff and contractors will be divided into the following focus areas:

1. Project marketing, including Marketing JV activities
2. Engagement of Financial Advisor/Bank
3. Equity Investor Engagement
4. Project capacity solicitation
5. Gas supply agreements
6. Completion of Alaska LNG transition agreements
7. Support of regulatory application process

The key delivery milestones of the Commercial organization in 2017 are listed below. Some of the milestones that involve a negotiated outcome are listed as internal targets.

Commercial – Potential LNG and system customers actively engaged.

- Secure sufficient conditional tolling and/or wellhead and offtake commitments to enable a FEED finance plan to be completed and executed starting in early FY2018 (3Q2017 target). To that end:
 - Complete land access and option agreements (1-2Q FY2018)
 - Implement market intelligence strategy through the deployment of expert contracting staff under AGDC's project marketing plan (FY2017, ongoing)
 - Conduct an Alaska project capacity solicitation (4Q FY2017)
 - Open Houston and Tokyo satellite offices (3Q FY2017)
 - Legal support will be required for all commercial drafting and negotiation activities. It will be procured through RSAs with Department of Law.
- Support FERC application efforts by managing the updates to Resource Report 5 and providing commercial review of application materials (complete 4Q FY2017)

Financial

- Secure financial advisor (3Q FY2017)
- Complete initial review of AGDC's term sheet and contract drafts (4Q FY2017)
- Commence investor presentations (1Q FY2018)
- Complete project financing plan (2Q FY2018)
- Specialized legal support is required for drafting and review of agreements as they reflect of project finance-ability. It will be procured through RSAs with Department of Law.

BP Cooperation Agreement

AGDC and BP have concluded a Cooperation Agreement to advance Commercial, Finance, and Regulatory activities of the project, under which BP will contribute to the scope of work that relates to defining, refining, and vetting the commercial structure of the project to ensure its ultimate finance-ability. BP will provide expertise, as well as share in certain third-party costs, such as the engagement of a financial advisor. Since the exact cost sharing mechanism and its division amongst the three focus areas of the agreement has not been finalized, BP's potential contribution to this AFE is not shown. However, any contributions will be reported as a cost offset in AGDC's future reports to the Board.

(2) Review Process

The set of activities described above follows standard practices for project financed LNG ventures in similar stages of development. The individual components of the plan were developed by AGDC's subject matter experts and vetted through project development experience of AGDC's management, as well as Board engagement.

(3) Options Considered

Other options for AGDC to undertake the next phase of commercial and finance development include:

1) No action outside of regulatory activities.

This option is not advised due to the necessity of having a venture structure determined prior to submitting a project application to FERC.

2) Narrow activity focused on commercial structuring and financial planning envisioned in the BP/AGDC Cooperation Agreement.

The agreement serves as a useful supplement and foundation to AGDC's commercial activity, however it does not address the necessary work AGDC as a State of Alaska corporation needs to undertake to develop contractual relationships within the LNG market. It is a distinct possibility the AGDC will be in the position of bringing tolling customers and LNG or wellhead gas buyers to the project in order to accommodate the desires of some upstream producers not to market their own gas beyond the wellhead. In order to enable

this function, AGDC needs to begin the process of engagement with the market outside of Alaska. Same business drivers exist for securing future investment in and financing of the project.

(4) Spend Comparison to Overall Legislative Sanction and Current Year Fiscal Budget

The total previous combination of budgeted commercial contracting costs and legal RSAs in the FY2017 budget in both capital and operating budgets was \$4.4 million. As Alaska LNG project entered a new phase of development in the middle of FY2017 where AGDC is in the position of structuring the project and bringing both customers and investors into the next phase, a considerable increase in commercial and finance related activity is necessary. This investment is expected to provide the contractual foundation for future commitments of development capital from outside investors or the State of Alaska, as well as ultimate project equity and debt financing.

(5) Risks of Delivery and Mitigations

The primary risks associated with delivering commercial and financial milestones are:

1) Negotiations.

Since commercial activities inevitably involve the conclusion of multiple successful negotiations, the ability of AGDC's team to conclude conditional project commitment agreements under favorable terms is a key success factor. AGDC's management is planning to mitigate this risk by engaging highly experienced commercial and finance professionals with a track record of successful project deliveries, and setting specific and focused goals for completing agreements.

2) Reputational.

AGDC is entering the territory of project marketing and international communications, and has the responsibility of maintaining and improving not just the reputation of the corporation itself, but in many cases impacting the reputation of the State of Alaska abroad, and the reputation of Alaska LNG as a project. Creating momentum for the project in the market is key to its ultimate success. This effort will be a challenging task given prevalent negative interpretations of project restructuring efforts in the media. This is a tremendous responsibility, and will be handled with the utmost care through the rigorous application of business and government ethics, policies, and practices, and close coordination with the administration of the State of Alaska in any matters involving foreign governments.

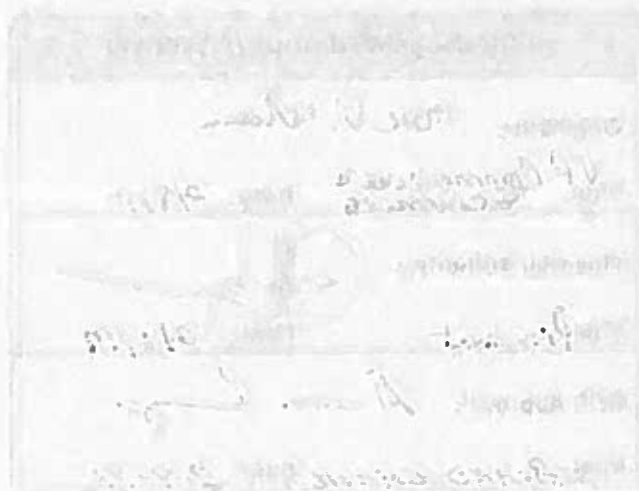
3) Cost Overrun

The number of entities that AGDC will be engaged with over the course of the six quarters addressed by this AFE is as yet unknown. Given the relatively high unit cost of engaging experienced commercial and legal staff in this effort and the pace that is not always controlled by the project entity, the cost estimate has the potential for a material underrun, as well as overrun. However, the activities under this AFE will be closely monitored on a monthly basis by AGDC Management, who will put every effort in making midcourse adjustments to the manner in which they are conducted. Cost saving measures will be applied throughout the process, such as using the least expensive contractors that are well qualified to

perform each task, utilizing teleconference and videoconference technology in lieu of travel, and controlling the pace of activity to eliminate periods of unproductive spending.

(6) Cost Phasing

The proposed quarterly phasing of the costs is shown on page 1 of this document.



(7) Resources

The following contractors will be utilized in the delivery of the scope of work (the list is not exclusive, and may be modified as the activities progress):

Apex LNG Consulting, LLC
Diamond Energy Consulting Co. Ltd
Global NatGas Advisors, LLC
Globalink Group, LLC
Hawk Consultants, LLC
SG Project Holdco, LLC
Steve Pratt Enterprises
State of Alaska - Department of Law (RSA)
State of Alaska - Department of Natural Resources (RSA)
State of Alaska - Department of Revenue (RSA)

AGDC RECOMMENDATION/APPROVAL	
Originator: <i>Wise V. White</i>	
Title: <i>VP Commercial & Economics</i>	Date: <i>2/8/17</i>
Financial Authority: <i>[Signature]</i>	
Title: <i>President</i>	Date: <i>2/8/17</i>
BOD Approval: <i>[Signature]</i>	
Title: <i>BOARD CHAIR</i>	Date: <i>2-9-17</i>

Alaska Gas Line Development Corporation
Project Name: Program Management Department
AUTHORIZATION FOR EXPENDITURE
(\$000s)

<input checked="" type="checkbox"/> X	CAPITAL	EXPENSE <input type="checkbox"/>
TITLE:	FY17 and FY18 Regulatory and Program Management Work Programs	AFE # 17-002
Start Date:	January 1, 2017	Original Authorization: \$53,552
Completion Date:	June 30, 2018	Rev # 0
Responsible Manager:	Frank Richards	TOTAL \$53,552

Budgeted – Yes/No	Yes					
	Q3	Q4	Q1	Q2	Q3	Q4
	FY17	FY17	FY18	FY18	FY18	FY18
EXPENDITURE FLOW (\$000s):	\$8,975	\$11,490	\$7,955	\$7,063	\$6,700	\$6,500

SUMMARY OF ESTIMATED COSTS (\$000s)		
Items/Description	FY17	FY18
(1) Core Embedded Technical Team	\$ 3,703	\$ 6,382
(2) FERC Filing	\$ 11,480	\$ 13,520
(3) Lead Contractor	\$ 2,470	\$ 6,360
(4) SEIS	\$ 978	\$ 1,115
(5) AKLNG Physical Asset Management	\$ 84	\$ 109
(6) In-State Gas Delivery	\$ 346	\$ 732
(7) Alaska LNG Cash Calls	\$ 1,405	\$ -
Subtotal	\$ 20,465	\$ 28,218
Contingency (10%)	\$ 2,047	\$ 2,822
TOTAL	\$ 22,512	\$ 31,040

Justification:

The Alaska Liquefied Natural Gas (AKLNG) Project is the State's priority project for commercialization of Alaska's North Slope natural gas resources. With the conclusion of the Pre-Front End Engineering and Design (Pre-FEED) and the Joint Venture Agreement (Pre-FEED JVA) at the end of 2016, AGDC is now the lead project proponent and will advance work efforts for a Federal Energy Regulatory Commission (FERC) Section 3 application and additional project definition. AGDC is now advancing the Alaska LNG Project following transition from the former AKLNG Project Management Team (PMT) led by ExxonMobil to an integrated PMT led by AGDC.

AGDC also continues to advance the Alaska Stand Alone Pipeline (ASAP) Project through National Environmental Protection Act (NEPA) process with a Supplemental Environmental Impact Statement (SEIS) that will be complete by the end of 2017. The culmination of this effort will result in a Record of Decision that will grant AGDC a right-of-way across federal lands that will be available for use for either the ASAP or AKLNG project. Additionally, AGDC is continuing work to better develop in-state gas opportunities and needs.

The following regulatory and technical work programs will advance AGDC towards an economic, financeable, and well executed project for the State of Alaska.

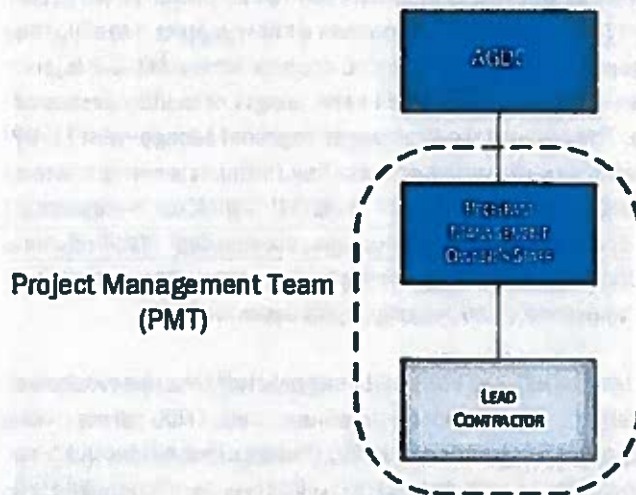
(1) Scope of Work

1.1 - Core Embedded Technical Team

The Core Embedded Technical Team scope of work is to maintain an internal staff of owner personnel and contractors with project management and technical subject matter expert (SME) expertise. The AGDC technical team within the Program Management Department oversees all project work activities and provides the owner's management of the AKLNG Project, the ASAP Project, and other program management activities such as the In-State Gas program.

To support the priority FERC application submittal and response work through 2017, this plan requires ramp up with additional PMT personnel starting immediately to implement the required support work for the FERC application in fiscal year 2017. The AGDC PMT will consist of key owner personnel, representatives from a Lead Contractor, as well as subject matter expert support from key AKLNG contractors under subcontract to the Lead Contractor. The AGDC PMT will support FERC responses with PMT owner personnel from the core embedded technical team and representatives from a Lead Contractor supported by AKLNG subcontractors.

The following is an organizational chart for the AGDC PMT using owner's staff and a Lead Contractor:



As owner, AGDC must recruit highly qualified individuals (contractors) to augment the existing AGDC PMT, complete the Section 3 FERC application, and to support FERC responses. These individuals will require experience in managing megaprojects, as well as familiarity with Alaskan and arctic oil and gas projects and the elements of the AKLNG Project. They will also coordinate with other non-project functions (commercial, financing, marketing, etc.)

1.2 –FERC Filing

The FERC Filing scope of work is focused on submittal of a Section 3 FERC application for the AKLNG Project since it is considered critical path and is the highest priority. The AGDC PMT will use source files for FERC Resource Reports (currently in final draft) and address concerns raised by federal and state regulators in order to finalize the reports, and will compile the final FERC application for submittal as soon as June 2017.

FERC application filing and associated activities will be the responsibility of the ERL Manager/FERC Lead in the AGDC PMT. ERL Manager/FERC Lead will be supported by owner's staff, an interim regulatory contractor directly contracted to AGDC, and contract legal support with specific expertise in FERC requirements and process. Upon completion of the FERC application submittal, the Lead Contractor will assume contracting of regulatory contractor resources as the AGDC PMT's consolidated contracting entity.

Throughout the FERC filing process, it will be necessary to respond to questions and technical requests from FERC and cooperating agencies as the application is reviewed. Responding will be a major work activity for the AGDC PMT through this period and will require the support of the entire AGDC PMT organization.

AGDC must also obtain sufficient rights to the lands at the LNG site for FERC to determine the application is acceptable.

1.3 – Lead Contractor

The Lead Contractor scope of work is to secure a contractor that will provide program management systems and resources to manage the FERC filing work effort and augment the PMT to prepare for future FEED/Engineering, Procurement, & Construction (EPC) and Execute phases of the project. Ideally, the Lead Contractor would have resources and wherewithal to “wrap” the full scope of the AKLNG Project. Only the major program management companies with the background in the areas critical to success of the AKLNG Project will be considered for selection. The Senior Vice President Program Management (SVP) is responsible for development and execution of this solicitation process. Key initial screening criteria include: Major program management experience including mega projects; pipeline engineering experience; pipeline construction planning and execution experience; gas processing, facilities and module design engineering and construction experience; LNG facility design and construction experience; environmental and regulatory for mega projects experience; and Arctic project experience.

Due to the magnitude of the project, the Lead Contractor will be required to supply staff that has extensive megaproject experience with gas treatment plants, cross-country pipelines, and LNG plants with associated labor, logistics, and fabrication management experience. Ideally, these personnel would also have Arctic engineering and planning experience. The Lead Contractor will serve as a consolidated contracting entity for the PMT. With the exception on an interim contract with a regulatory contractor to support the critical Section 3 FERC application deliverable, the Lead Contractor will contract with existing AKLNG Pre-FEED contractors for subproject technical support including LNG/Marine, Pipeline, and the Gas Treatment Plant.

The Lead Contractor will be responsible for developing the future scope of work that includes AKLNG Project activities following Final Investment Decision 1 (FID-1). These major project work activities would include FEED engineering readiness activities, FEED engineering/EPC design-build phase, long-lead materials and equipment procurement, and preparation for construction contracting.

1.4 –SEIS

The SEIS scope of work includes completing the major permitting of the ASAP Project. The Draft SEIS is currently in progress and is anticipated to be released in 2017. Once released for public comment, a specific regulatory timetable will be engaged by the U.S. Army Corps of Engineers to finalize the overall ASAP Final SEIS in late 2017 and publish a Record of Decision (ROD) in early 2018. The result will be the grant of a federal right-of-way for the project alignment at which time the project is ready to proceed to construction upon a FID, or the right-of-way is transferred to another project.

This portion of the AFE will provide funding the 3rd party EIS contractor required by regulatory agencies, as well as funding for other Alaska agencies to support the permitting effort through Reimbursable Service Agreements (RSAs).

1.5 - AKLNG Physical Asset Management

The AKLNG Physical Asset Management scope of work includes costs associated with AGDC assuming certain physical assets previously held by the Pre-FEED JVA Lead Party. This portion of the AFE will provide funding for operating and maintaining the Nikiski meteorological tower, operating and maintaining the

Deadhorse meteorological tower, geotechnical soil sample storage, operating and maintaining the Nikiski seismograph, and operating and maintaining the Nikiski groundwater monitoring wells.

1.6 - In-State Gas Delivery

The In-State Gas Delivery scope of work is to meet AGDC's in-state gas mission through a structured program that is project agnostic. AGDC has the responsibility to develop natural gas pipelines and other transportation mechanisms to transport and deliver gas to public utility and industrial customers in areas of the state to which the natural gas may be delivered at commercially reasonable rates. Upon commencement of construction of an in-state natural gas pipeline, the corporation also has the responsibility to analyze potential natural gas pipelines and other transportation mechanisms connecting to industrial, residential, or utility customers in other regions of the state potentially finance, construct, or operate the natural gas pipeline or other transportation mechanism as necessary.

AGDC's has prioritized in-state gas activities that focus on interconnection and off-take to utilities and other users who would potentially have direct access to gas from a North Slope pipeline. The strategy included developing and maintaining an in-state gas-aggregator and project management function through a wholly-owned AGDC subsidiary.

This portion of the AFE will provide funding for AGDC to maintain an accounting of in-state gas demand and forecast of future demand in order to assist project development efforts, identify interconnections with existing in-state gas utilities upon startup of the AKLNG pipeline, including access points at the Fairbanks Lateral, West Cook Inlet, and East Cook Inlet, and assist potential in-state users with evaluations of opportunities to reach commercially reasonable rates with information on the economics associated with offtake facilities, transmission, local distribution systems, and conversion rates.

Funding will also allow AGDC to pursue development of in-state gas markets where pipeline and transportation projects outside of the Railbelt that have been previously projected to occur, following commitment of construction of a North Slope pipeline, can be accelerated in advance of construction. An examples of these in-state market opportunities includes providing LNG to in-state users that do not currently have access to gas.

AGDC will also continue working collaboratively with the Alaska Energy Authority (AEA), the Alaska Industrial Development and Economic Authority (AIDEA), the Alaska Legislature, and other government entities as necessary to pursue realistic options for gas offtakes and gas delivery to Alaskans. The purpose of the AGDC subsidiary will be to aggregate commercial gas contracts for in-state users, identify offtake options, and develop an implementation plan for in-state offtake customers.

1.7 – Alaska LNG Cash Calls

The Alaska LNG Calls scope of work is to provide the funding obligated under the wind-down portion of the AKLNG transition agreements. This transitional funding will be requested by the former Pre-FEED JVA Lead Party to recover reasonable costs associated with the wind-down of the Pre-FEED activities in accordance with Article 3.4 of the Pre-FEED JVA.

(2) Review Process

The work scope detailed in this AFE has been developed internally within AGDC and reviewed and approved by the Senior Vice President – Program Management and the AGDC President.

(3) Options Considered

The AKLNG Project is the State's priority project and the ASAP Project represents the State's back-up project option. AGDC has evaluated several work scope options as AGDC assumed the leadership of the AKLNG Project. Three distinct options were considered to support AGDC's efforts to identify project structure that will result in the lowest cost of service for the AKLNG Project. These include:

- FEED engineering; Completion of the full FEED stage engineering and Class 3 cost estimate.
- FEED Readiness; Completion of targeted FEED-level optimization engineering efforts and a one-year field program.
- FERC Submittal; Compiling and submitting a FERC Section 3 Natural Gas Act (NGA) application and responding to agency questions and requests.

The FERC Submittal scope of work was selected by AGDC management since FERC approval of the project is critical path overall, and the work can take place as alternative commercial structures are explored to make the project as attractive as possible to the market.

(4) Spend Comparison to Overall Legislative Sanction and Current Year Fiscal Budget

The costs associated with this AFE support the stage gate decision whether to proceed to FEED/EPC at the time of FID-1. The requested funds are in-line with the 2017 and 2018 fiscal year budgets and are in-line with the legislative allocation. There are sufficient funds within AGDC's AKLNG Fund and In-State Gas Fund for this expenditure.

(5) Risks of Delivery or Non-Delivery

The following major project risks have been identified as part of this plan:

- Megaproject failure due to the following:
 - Major cost overruns
 - Major schedule delays
 - Major operational problems
 - Regulatory delays
- Alaska projects are more expensive and have higher execution risk than U.S. Gulf Coast equivalents because of difficult logistics and remoteness from needed services. These issues can amplify impacts of cost overruns and schedule delays.
- Value of the LNG market compared to the project cost.
- Alignment of major contracts to protect owner interests but viable for the contractor.

- Slippage in schedule due to lack of commercial contracts and funding or authorization of expenditure.
- Since the project designed in the Pre-FEED phase may not meet the needs of the market, design premise may change, with associated engineering requirements and delay.
- Alaska Legislature care-appropriate AGDC's funds to apply to other State priorities or can re-define AGDC's abilities through new legislation.

(6) Cost Phasing

This cash flow associated with this AFE is based on activity budgeting over the remaining Fiscal Year 2017 and full Fiscal Year 2018 budget. There are no phasing issues associated with the AKLNG transition other than the rapid increase in activity leading up to the FERC Section 3 submittal in 2017. In the absence of authorization for expenditure, AGDC will not be able to complete the FERC submittal, complete the ASAP major permitting, or complete In-State Gas work.

(7) Resources

Required resources will be provided by existing AGDC PMT staff and contractors, AKLNG Pre-FEED contractors on an interim basis, a Lead Contractor on a long-term basis, and selected technical subcontractors with subject matter expertise. The AGDC PMT Senior Project Manager and PMT staff will provide owner's representation and technical oversight of the work scope.

(8) Cost Contingencies

The budget for the scope of work has been built-up and spread on a monthly basis with no contingency included. A 10% cost contingency has been added to this AFE per previous direction from the Board of Directors. Contingency funds will be retained by AGDC for potential increases to task orders as a result of unknown requirements.

(9) Risks of Delivery and Mitigation

AGDC will mitigate risks of deliverability by managing AGDC work efforts through a fully-staffed owner's PMT. The AGDC PMT will provide overall technical and regulatory leadership and governance for the Section 3 FERC application submittal efforts. The AGDC PMT will be supported by leveraging the services of a Lead Contractor that will be capable of scaling project support up through the FEED/EPC stage. The risk of delivery will be mitigated by authorizing expenditure and expeditiously entering into appropriate key contractual relationships.

AGDC RECOMMENDATION/APPROVAL	
Originator:	
Title: Senior V.P.	Date: 2/8/17
Financial Authority:	
Title: President	Date: 2/8/17
BOD Approval:	
Title: BOARD CHAIR	Date: 2-9-17

**Alaska Gas Line Development Corporation
Project Name: Communications Department
AUTHORIZATION FOR EXPENDITURE
(\$000s)**

X	CAPITAL	EXPENSE
TITLE:	<u>FY17 and FY18 Communications</u>	AFE # <u>17-003</u>
Start Date:	<u>January 1, 2017</u>	Original Authorization: <u>\$2,220</u>
Completion Date:	<u>June 30, 2018</u>	Rev # <u>0</u>
Responsible Manager:	<u>Rosetta Alcantra</u>	TOTAL <u>\$2,220</u>

Budgeted – Yes/No	Yes	Q3	Q4	Q1	Q2	Q3	Q4
		FY17	FY17	FY18	FY18	FY18	FY18
EXPENDITURE FLOW (\$000s):		\$ 368	\$ 388	\$ 332	\$ 365	\$ 295	\$ 270

SUMMARY OF ESTIMATED COSTS	
Items/Description (\$000s)	
(1) Collateral	\$ 341
(2) Outreach	\$ 228
(3) Tradeshow and Conferences	\$ 691
(4) Message consistency and transparency	\$ 758
Subtotal	\$ 2,018
Contingency (10%)	\$ 202
TOTAL	\$ 2,220

(1) Scope of Work

This authorization for expenditure will enable AGDC to further develop its corporate brand, adhere to governance, and execute the communications and project awareness plan necessary to progress the

Alaska LNG project to the next stage of development by the end of 2017. The key activities and milestones of the Communications department for the remainder of 2017 and Fiscal Year 2018 are listed below.

- Develop corporate and project related collateral.
- Conduct international, statewide and domestic outreach.
- Participate in industry tradeshows and conferences.
- Provide consistency and transparency in communications with legislature, public and potential business partners/interests.

(A) Corporate and Project related collateral

With enhanced efforts to engage the commercial and financial arenas, the communications team will work closely with the Alaska based commercial team and the satellite offices in Houston, Texas and Tokyo, Japan. Collateral items include, but are not limited to: Corporate annual report, corporate website enhancements, project website, brochures, project summary material, paid advertisements, tradeshow materials and video presentations. Additional support items for collateral development include photography and marketing management.

(B) International, statewide and domestic outreach

The communications team has enlisted the assistance of statewide community coordinators to develop region specific outreach. The outreach includes engagement with local organizations such as chambers of commerce, local and tribal government, coordination with village and regional corporations to develop awareness of AGDC as a corporate entity and sponsor of project initiatives. The coordinators will assist in facilitating communication with various groups and organizations who express interest in learning more about AGDC.

International and domestic outreach will be supported by the communications team and the commercial team for outreach and tradeshow opportunities. The outreach could entail, conference participation, tradeshows, print advertisement, and corporate sponsorship. The instate collateral will be used to support these select opportunities and managed by the communications manager.

(C) Industry tradeshows and conferences

The communications team will attend and support various conferences in state and provide sponsorships where appropriate. These conferences include annual events such as the Alaska Federation of Natives, Resource Development Council, the Alliance, Anchorage Economic Development Corporation, and World Trade Center to name a few.

(D) Communications consistency and transparency

A key objective is transparency with legislature, public and market. This include information sharing to the degree permissible in a timely and consistent manner. The goal is to develop positive relationships with the Alaska State Legislature through enhanced communications and presence during the legislative session and during the interim. Correspondence could include written updates, presentations, and phone calls. AGDC will continue with its tri-annual updates to Resource and Finance committees and to leadership. Communciations will also come in the form of community presentations and visability in the communities and media relations. The market communications will be in collaboration with the commercial team.

Key partners in communication include:

- Board of Directors
- Alaska LNG Project Team
- Commercial team
- Government Relations Advisory
- Community Coordinators and Community Advisory Council

(2) Review Process

The work scope detailed in this AFE is a broad overview of communications, outreach and awareness building practices for corporate and project communications. The activities are vetted through communications experience, ADGC management, and Board directives.

(3) Options Considered

(4) Spend Comparison to Previous efforts

The outreach aspect of AGDC prior to the AFE has been minimal. The attention to corporate branding, project awareness both internationally and domestic have increased dramatically.

(5) Risks of Delivery and Mitigations

None


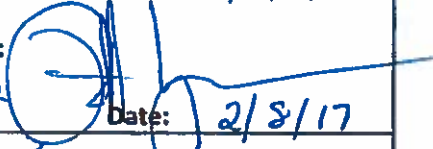

(6) Cost Phasing

The proposed quarterly phasing of the costs is shown on page 1 of this document.

(7) Resources

The following contractors will be utilized in the delivery of the scope of work (the list is not exclusive, and may be modified as the activities progress):

- E3 Environmental Alaska
- Walsh Sheppard
- Crystal Clear Creative
- Logistics Inc.

AGDC RECOMMENDATION/APPROVAL	
Originator:	
Title:	VP Communications Date: 2/8/17
Financial Authority:	
Title:	Pres. Int Date: 2/8/17
BOD Approval:	
Title:	BOARD CHAIR Date: 2-9-17

ALASKA GASLINE DEVELOPMENT CORPORATION

(A Component Unit of the State of Alaska)

Fiscal Year to Date Statement of Activities

(in thousands of dollars)

as of December 31, 2016

	<u>YTD Costs</u>	<u>YTD Budget</u>	<u>Dollar Variance Actual less Budget</u>	<u>Total Budget for FY 17</u>	<u>Percent Expended</u>
ASAP & ISG Project Expenditures	1,611	7,868	(6,257)	15,736	10.2%
ASAP AGDC Overhead Allocation	2,575	3,116	(541)	6,232	41.3%
AKLNG Project Expenditures	16,806	29,853	(13,047)	49,055	34.3%
AKLNG AGDC Overhead Allocation	1,716	2,077	(361)	4,154	41.3%
Total	<u>22,708</u>	<u>42,914</u>	<u>(20,206)</u>	<u>75,177</u>	<u>30.2%</u>
AGDC Total Overhead Allocated	4,291	5,193	(902)	10,386	41.3%
ASAP and ISG Expenditures:					
Prior Years	133,143				
FY 17 YTD expenditures	<u>1,611</u>				
ASAP and ISG FY 14 to current	<u>134,754</u>				

ALASKA GASLINE DEVELOPMENT CORPORATION

(A Component Unit of the State of Alaska)

Fiscal Year to Date Statement of Activities

(in thousands of dollars)

as of December 31, 2016

General and Administrative by Function

	<u>YTD Costs</u>	<u>YTD Budget</u>	<u>Dollar Variance Actual less Budget</u>	<u>Total Budget for FY 17</u>	<u>Percent Expended</u>
Executive	1,052	1,051	1	2,102	50.1%
Commercial	245	333	(88)	666	36.8%
External Affairs	739	792	(53)	1,583	46.7%
Legal	74	223	(149)	445	16.7%
Finance	444	501	(57)	1,005	44.2%
Administrative Services	1,210	1,590	(380)	3,180	38.0%
Data Management	527	703	(176)	1,405	37.5%
Total	<u>4,291</u>	<u>5,193</u>	<u>(902)</u>	<u>10,386</u>	<u>41.3%</u>

Overhead Allocation to Projects**

ASAP	2,575	3,116	(541)	6,232	41.3%
AKLNG	1,716	2,077	(361)	4,154	41.3%
	<u>4,291</u>	<u>5,193</u>	<u>(902)</u>	<u>10,386</u>	<u>41.3%</u>

** Allocations are applied in accordance with the Operating Allocation approved by the Legislature.



(in thousands of dollars)
as of December 31, 2016

Alaska LNG

AKLNG Project Expenditures

	Current Month			Year to Date			Total	Percent Expended
	Actual less Budget			Actual less Budget			FY 17	
	Actual	Budget	Variance	Actual	Budget	Variance	Budget	
PTU Transmission Line	(0)	23	(23)	83	173	(90)	288	28.9%
PBU Transmission Line	1	2	(1)	7	16	(9)	26	27.7%
GTP	2	597	(595)	1,418	4,707	(3,289)	8,167	17.4%
Pipeline	263	1,264	(1,001)	6,117	10,213	(4,096)	16,005	38.2%
LNG Facilities	217	1,139	(922)	3,899	7,426	(3,527)	12,169	32.0%
Marine Facilities	97	486	(389)	1,809	4,219	(2,410)	6,202	29.2%
AGDC P.I. @25%	580	3,511	(2,931)	13,333	26,754	(13,421)	42,857	31.1%

AGDC Corporate Expenditures

	Current Month			Year to Date			Total	YTD
	Actual less Budget			Actual less Budget			FY 17	Percent
	Actual	Budget	Variance	Actual	Budget	Variance	Budget	Expended
Other Project Expenditures	1,046	516	530	3,474	3,099	375	6,198	56.1%
Overhead Allocation**	288	346	(58)	1,716	2,077	(361)	4,154	41.3%
Total AGDC Expense	1,334	862	472	5,190	5,176	14	10,352	50.1%
Total AKLNG	1,914	4,373	(2,459)	18,523	31,930	(13,407)	53,209	34.8%

** Allocations are applied in accordance with the Operating Allocation approved by the Legislature.

AGDC PROGRAM MANAGEMENT PROJECT

COST REPORT ENDING

1/31/2017

BUSINESS	Budget	Current Commitments	Percent Committed of Total Budget	Estimate At Complete	Percent Spent of Total Budget	Total Expended <i>Includes WIP</i>
			%		%	
ASAP	\$10,007,549	\$3,757,660	38%	\$10,007,549	17%	\$1,664,836
AKLNG	\$2,599,559	\$2,599,559	100%	\$2,599,559	34%	\$882,457
IN STATE GAS	\$5,269,854	\$460,590	9%	\$5,269,854	1%	\$75,532
TOTAL	\$17,876,962	\$6,817,809	38%	\$17,876,962	15%	\$2,622,825

Data representative of FY17 activity only.



ALASKA MOVING FORWARD:

DELIVERING NATURAL GAS TO THE WORLD



- **Regulatory**

- Developed and implemented a plan for responding to Federal Energy Regulatory Commission (FERC) comments using both internal AGDC staff and external resources
- Scheduled monthly updates with FERC to discuss general questions and procedure associated with filing the Section 3 application
- Completed review of federal congressional and executive actions that could benefit the State's development of a pipeline system to deliver North Slope gas to market
- AGDC will meet with FERC in Washington, D.C. on February 16th to discuss final transition matters.

- **GTP, PBU, & PTU**

- Teams have completed initial review of FERC comments, assigned to reviewers and are preparing comment responses

- **Pipeline**

- Teams have completed initial review of FERC comments, assigned to reviewers and are preparing comment responses

- **LNG Plant & Marine Facilities**

- Teams have completed initial review of FERC comments, assigned to reviewers and are preparing comment responses

- **Environmental, Regulatory and Land (ERL)**
 - **Clean Water Act 404 Application and the ASAP SEIS**
 - Completed comment responses on the draft SEIS chapters 3, 4 and appendices
 - Updated the Biological Assessment in support of United States Army Corps of Engineers (USACE) consultation with federal agencies
 - Met with USACE and agreed on the content for final version of “Potential Indirect Impact to Wetlands”
 - Met with Environmental Protection Agency (EPA) and USACE and reached agreement on West Dock sampling plan and permitting approach
 - Met with USACE senior managers to discuss ASAP permitting progress
 - Agreed to complete Cultural Resource Management Plan to facilitate the Corps Section 106 consultation process
 - **Field Studies Permitting**
 - No activity
 - **Land**
 - State right-of-way (ROW) amendment authorized

- **Pipeline**
 - Pipeline engineering continues to assist the Environmental Regulatory and Lands (ERL) team answering questions and requests for information (RFIs) from the U.S. Army Corps and the general public
- **Project Services**
 - Ongoing AGDC specific Capital Projects (deliverable and RFI transmittal tool) and Documentum (document control software) updates
- **Construction Management / CM&I Work Plan**
 - No activity
- **Facilities Management**
 - No activity

Program Management Cost Report

COST REPORT ENDING

1/31/2017

BUSINESS	Budget	Current Commitments	Percent Committed of Total Budget	Estimate At Complete	Percent Spent of Total Budget	Total Expended includes WIP
			%		%	
ASAP	\$10,007,549	\$3,757,660	38%	\$10,007,549	17%	\$1,664,836
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Data representative of FY17 activity only.